

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

H

W-02234A
H2O, Inc.
41502 N Schnepf Rd.
Queen Creek AZ 85240

RECEIVED

APR 28 2008

ARIZONA CORP COMMISSION
Director Utilities

* Revised

ANNUAL REPORT

**FOR YEAR ENDING
REVISED**

12	31	2006
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FOR COMMISSION USE

ANN 04	06
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PROCESSED BY:

5-1-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) H2O Inc

Mailing Address 41502 N Schnepf Rd
(Street)

Queen Creek
(City)

Arizona
(State)

85242
(Zip)

(480) 491-6971

Telephone No. (Include Area Code)

(480) 491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address H2O-INC.COM

Local Office Mailing Address 41502 N Schnepf RD
(Street)

Queen Creek
(City)

Arizona
(State)

85242
(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Donald Schnepf President
(Name) (Title)

41502 N Schnepf Rd
(Street)

Queen Creek
(City)

Arizona
(State)

85242
(Zip)

(480) 491-6971

Telephone No. (Include Area Code)

(480) 491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address donald @ futureone.com

On Site Manager: same as above
(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Darel Schnepf

(Name)

11051 E. Balancing Rock Rd

(Street)

Scottsdale

(City)

Arizona

(State)

85267

(Zip)

(480) 491-6971

Telephone No. (Include Area Code)

(480) 491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Richard L. Sallquist – Sallquist Drummond

(Name)

4500 S Lake Shore Dr Ste 339

(Street)

Tempe

(City)

Arizona

(State)

85282

(Zip)

(480) 839-5202

Telephone No. (Include Area Code)

(480) 345-0412

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

X Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☒ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☒ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises	131452.05	480.05	130972.00
303	Land and Land Rights	7954.00	0.00	7954.00
304	Structures and Improvements	546940.93	6818.00	540122.93
307	Wells and Springs	255855.98	39333.91	216522.07
311	Pumping Equipment	4639964.07	209920.48	4430043.59
320	Water Treatment Equipment	51404.19	11630.24	39773.95
330	Distribution Reservoirs and Standpipes	2984417.29	103470.82	2880903.47
331	Transmission and Distribution Mains	1656720.25	371729.48	1284990.77
333	Services	207499.58	46611.10	160888.48
334	Meters and Meter Installations	2290428.65	437355.62	1853073.03
335	Hydrants	45343.19	5384.89	39958.30
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	90770.73	42760.24	48010.49
341	Transportation Equipment	121239.56	18361.89	102877.67
343	Tools, Shop and Garage Equipment	52615.70	10900.29	41715.41
344	Laboratory Equipment			
345	Power Operated Equipment	29568.68	24599.81	4968.87
346	Communication Equipment	224499.33	10226.21	214165.12
347	Miscellaneous Equipment			
348	Other Tangible Plant	149414.39	54128.76	95285.63
	Plant in Future Use	49528.03	48292.03	1236.00
	TOTALS	13535616.60	1442003.82	12093612.78

1442003.82

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises	131452.05		64.01
303	Land and Land Rights	7954.00		
304	Structures and Improvements	546940.93	.040	22300.81
307	Wells and Springs	255855.98	.016	4103.93
311	Pumping Equipment	4639964.07	.003	17275.17
320	Water Treatment Equipment	51404.19	.049	2524.96
330	Distribution Reservoirs and Standpipes	2984417.29	.006	18281.39
331	Transmission and Distribution Mains	1656720.25	.018	30278.60
333	Services	207499.58	.048	10061.13
334	Meters and Meter Installations	2290428.65	.075	173936.02
335	Hydrants	45343.19	.000	20.93
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	90770.73	.086	7857.14
341	Transportation Equipment	121239.56	.058	7092.53
343	Tools, Shop and Garage Equipment	52615.70	.037	1981.22
344	Laboratory Equipment			
345	Power Operated Equipment	29568.68	.037	1120.51
346	Communication Equipment	224499.33	.015	3443.22
347	Miscellaneous Equipment			
348	Other Tangible Plant	149414.39	.148	22227.92
	TOTALS	13486088.57	.023	322569.50

This amount goes on the Comparative Statement of Income and Expense
Acct. No. 403.

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$1497662	\$ 2556178.62
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	216281	237607.47
146	Notes/Receivables from Associated Companies	100693	116082.25
151	Plant Material and Supplies		
162	Prepayments	2927	2927.00
174	Miscellaneous Current and Accrued Assets	4800	5200.00
	TOTAL CURRENT AND ACCRUED ASSETS	\$1822363	\$2917995.34
	FIXED ASSETS		
101	Utility Plant in Service	\$8452566	\$12987345.26
103	Property Held for Future Use	49528	49528.03
105	Construction Work in Progress	637151	498743.31
108	Accumulated Depreciation – Utility Plant	-1155804.12	-1442003.82
121	Non-Utility Property		
122	Accumulated Depreciation -- Non Utility		
	TOTAL FIXED ASSETS	\$7983441	\$12093612.78
	TOTAL ASSETS	\$9805805	\$15011608.12

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$165696	\$122593.19
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	27844	32443.96
235	Customer Deposits	75230	120551.17
236	Accrued Taxes	61294	28208.80
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	31516	
	TOTAL CURRENT LIABILITIES	\$361580	\$303797.12
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$197679	\$186377.55
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	3323936	4666614.40
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	5758534	9271032.34
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$9082470	\$13937646.74
	TOTAL LIABILITIES	\$9641730	\$14427821.41
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$38785	\$38785.47
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	125290	545001.24
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$164075	\$583786.71
	TOTAL LIABILITIES AND CAPITAL	\$9805805	\$15011608.12

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$2272966.	\$2908115.44
460	Unmetered Water Revenue		
474	Other Water Revenues	215445	208697.11
	TOTAL REVENUES	\$2488411	\$3116812.55
	OPERATING EXPENSES		
601	Salaries and Wages	\$800754	\$735250.30
610	Purchased Water	78446	77793.33
615	Purchased Power	192020	232041.43
618	Chemicals	5093	4229.38
620	Repairs and Maintenance	214771	169791.82
621	Office Supplies and Expense	55522	70994.65
630	Outside Services	130904	266330.68
635	Water Testing	24454	12289.11
641	Rents	179012	175062.70
650	Transportation Expenses	195749	214459.18
657	Insurance – General Liability	41888	52245.34
659	Insurance - Health and Life	18010	27819.06
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	138788	200093.02
403	Depreciation Expense	261926	322569.50
408	Taxes Other Than Income	71034	80959.17
408.11	Property Taxes	60521	74994.06
409	Income Tax	3549	3600.00
	TOTAL OPERATING EXPENSES	\$2472440	\$2720522.73
	OPERATING INCOME/(LOSS)	\$15971	\$396289.82
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$3567	\$28783.44
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	-12952.76	-15863.94
	TOTAL OTHER INCOME/(EXPENSE)	-\$9385	\$12919.50
	NET INCOME/(LOSS)	\$6585	\$409209.32

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1985	1999		
Source of Loan	Well & Pump Purchase	WIFA		
ACC Decision No.	56327	62620		
Reason for Loan	Back up Source Well	New Source Pump & Storage		
Dollar Amount Issued	\$ 40,000.00	\$ 254,117.00	\$	\$
Amount Outstanding	\$	\$ 207958.05	\$	\$
Date of Maturity	Open	2021		
Interest Rate	9.0%	5.84%	%	%
Current Year Interest	\$	\$ 11,448.07	\$	\$
Current Year Principle	\$	\$ 9,130.19	\$	\$

Meter Deposit Balance at Test Year End	\$ 1,600,755.33
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Meter Deposits Refunded During the Test Year	\$ 245,810.20
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COMPANY NAME	H2O, Inc	
Name of System	11-060	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-605835 (1)	200	1050	1200'	20/16	6"	1950
55-605837 (3)	200	500	1200'	16/14	8"	1966
55-605834 (4)	300	1400	1200'	16/14	10"	1966
55-605836 (2)	N/A	N/A	1200'	20/16	N/A	1950
55-625006 (CG)	300	1400	940'	16	10"	1972
55-609158 (PCN)	300	1200	878'	16	10"	1946

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Queen Creek Water Co.		21192.68

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	7	709	
20	3		
50	15		
100	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
200,000 Gal	1	5,000	7
300,000 Gal	1		
500,000 Gal	1		
750,000 Gal	4		

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME	H2O, Inc.	
Name of System	11-060	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2		
3		
4		8,752.00
5		
6		154,033.00
8		252,453.00
10		
12		224,077.00

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	236
3/4	6119
1	212
1 1/2	22
2	79
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT

2 – Capital Control Gas Chlorinator _____
 3 – Regal Gas Chlorinator _____

STRUCTURES:

Electric Service Entrances on Wells 1,3,4, Castlegate and Pecan Creek North _____
 Electric Service Entrances on Booster Plants Main, Links, Castlegate and Pecan Creek N. _____
 Chlorine enclosures at Main, Well #4, Castlegate, Links and Pecan Creek N. _____
 Steel Shade over Pumps & Electrical Equipment at Main, Links, Castlegate & Pecan Creek N. _____
 8' Block Walls at Main Well #4, Links, Castlegate & Pecan Creek N. _____
 Chain Link fence at Well #3 _____

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	H2O, Inc		
Name of System	11-060	ADEQ Public Water System Number (if applicable)	

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	5785	59,805.4	63,531.3	1,538.41
FEBRUARY	5833	51,247.6	54,440.3	1,571.66
MARCH	5818	49,829.6	52,934.0	1,119.97
APRIL	5739	68,513.0	72,781.4	1,243.14
MAY	6000	80,492.1	85,506.8	1,206.70
JUNE	6084	108,959.7	115,747.9	1,991.34
JULY	6180	103,769.7	110,234.6	1,067.46
AUGUST	6324	74,451.7	79,090.0	3,048.66
SEPTEMBER	6407	72,167.7	76,663.7	2,526.10
OCTOBER	6488	65,570.4	69,655.4	2,627.46
NOVEMBER	6548	82,749.3	87,904.6	2,207.72
DECEMBER	6668	50,455.4	53,598.8	1,044.00
TOTALS →		868,011.6*	922,088.7**	21,192.68

What is the level of arsenic for each well on your system? 0.002 mg/l

(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?

(☒) Yes () No

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(☒) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

(☒) Yes () No

If yes, provide the GPCPD amount: 100

Note: If you are filing for more than one system, please provide separate data sheets for each system.

WATER USE DATA SHEET

NAME OF COMPANY	H2O, INC.
ADEQ Public Water System Number:	11-060

MONTH/YEAR 2006 (12 Months of Test year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1 JANUARY	5,785	59,805.4	63,531.3
2 FEBRUARY	5,833	51,247.6	54,440.3
3 MARCH	5,818	49,829.6	52,934.0
4 APRIL	5,739	68,513.0	72,781.4
5 MAY	6,000	80,492.1	85,506.8
6 JUNE	6,084	108,959.7	115,747.9
7 JULY	6,180	103,769.7	110,234.6
8 AUGUST	6,324	74,451.7	79,090.0
9 SEPTEMBER	6,407	72,167.7	76,663.7
10 OCTOBER	6,488	65,570.4	69,655.4
11 NOVEMBER	6,548	82,749.3	87,904.6
12 DECEMBER	6,668	50,455.4	53,598.8
TOTAL	N/A	868,011.6 *	922,088.7 **

Is the water utility located in an ADWR Active Management Area ("AMA")?

☒ YES ☐ NO

Does the Company have ADWR gallons per capita day ("GPCD") requirement?

☒ YES ☐ NO

If Yes, please provide the GPCD amount: 100

*Note: If you are filing for more than one system, please provide seeparate data sheets for each system.
For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7227.*

* This number must be equal to the number entered on Page 6, "sold gallons."

** Gallons pumped cannot equal or be less than the gallons sold.

COMPANY NAME H2O, Inc. YEAR ENDING 12/31/2006

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2006 was: \$ 66,680.80

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

5366

4/3/2006

PAY TO THE
ORDER OF PINAL COUNTY TREASURER

\$ **29,979.58

Twenty-Nine Thousand Nine Hundred Seventy-Nine and 58/100***** DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

MEMO

2nd half of 2005

⑈005366⑈ ⑆103102041⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

5366

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
				Check Amount		29,979.58

OPERATING ACCOU 2nd half of 2005

29,979.58

H2O, INC. / OPERATING ACCOUNT

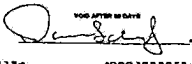
5366

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
				Check Amount		29,979.58

PAYMENT
RECORD

OPERATING ACCOU 2nd half of 2005

29,979.58

HQS, INC. OPERATING ACCOUNT 4100 NORTH SCHAEFFER ROAD QUEEN CREEK, AZ 85242		HOME NATIONAL BANK MB 20041001	5366
		4/3/2006	
PAY TO THE ORDER OF	PINAL COUNTY TREASURER	\$ 29,979.58	
Twenty-Nine Thousand Nine Hundred Seventy-Nine and 58/100		DOLLARS & 58	
PINAL COUNTY TREASURER P.O. BOX 729 FLORENCE, AZ 85232-0729		YOUR APPROVAL 	
2nd half of 2006 405 44-40304		P00034979587	
⑈005366⑈ ⑈103302041⑈ 10023227⑈			

Check 5366, Amount \$29,979.58 Processed 4/10/2006

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

6172

10/23/2006

PAY TO THE
ORDER OF PINAL COUNTY TREASURER

\$ **36,701.22

Thirty-Six Thousand Seven Hundred One and 22/100

DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

MEMO

⑈006172⑈ ⑈10310204⑈ ⑈0023227⑈

H2O, INC. / OPERATING ACCOUNT

6172

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
				Check Amount		36,701.22

OPERATING ACCOU

36,701.22

H2O, INC. / OPERATING ACCOUNT

6172

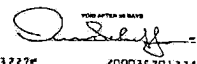
Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
				Check Amount		36,701.22

OPERATING ACCOU

36,701.22

Account 10023227

Home National -- Image Statement

HNC, INC. OPERATING ACCOUNT 4140 NORTH BURNLEY ROAD DURHAM, NC 27604		HOME NATIONAL BANK 90-0001001	6172
		10/23/2006	
PAY TO THE ORDER OF PINAL COUNTY TREASURER		\$ 36,701.22	
Thirty-Six Thousand Seven Hundred One and 22/100		DOLLARS & C	
PINAL COUNTY TREASURER P.O. BOX 729 FLORENCE, AZ 85232-0729		YOUR OFFICIAL SIGNATURE 	
0001172 1031020410 10023227*		*0003670122*	

Check 6172, Amount \$36,701.22 Processed 10/27/2006

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

RECEIVED

APR 8 8 2006

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Pinal
NAME (OWNER OR OFFICIAL) TITLE	Donald Schnepf - President
COMPANY NAME	H2O, Inc.

JOHN COVINO
Director Utilities

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

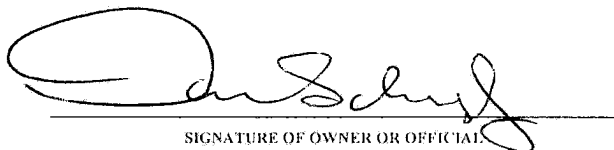
MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



SIGNATURE OF OWNER OR OFFICIAL

4180-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

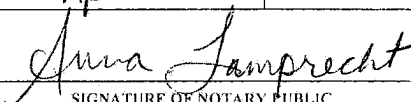
THIS

28th

DAY OF

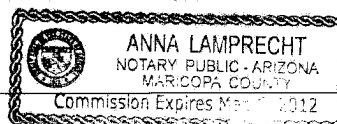
COUNTY NAME	Maricopa
MONTH	April
YEAR	2006

(SEAL)



SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES March 6, 2012



COMPANY NAME H2O Inc. **YEAR ENDING 12/31/2006**

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported _____
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported _____
Estimated or Actual State Tax Liability _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

SIGNATURE

DATE

PRINTED NAME

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

APR 3 2008

VERIFICATION

STATE OF Arizona

**I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME)	Pinal
NAME (OWNER OR OFFICIAL) TITLE	Donald Schnepf - President
COMPANY NAME	H2O Inc.

AZ CORP COMM
Director Utilities

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT


IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 3,116,812.55

**(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 209,042.53
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE MUST
INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
480-491-6921
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

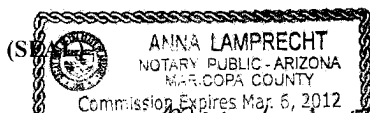
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

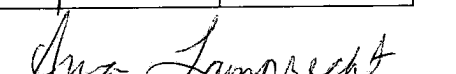
28th

DAY OF

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>April</u>	<u>2008</u>



MY COMMISSION EXPIRES May 6, 2012


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only**

RECEIVED
APR 3 2008
ARIZONA COMM
Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Pinal	
NAME (OWNER OR OFFICIAL) Donald Schnepf	TITLE President
COMPANY NAME H2O Inc	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

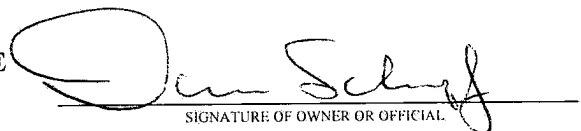
\$ 2,561,322.15

THE AMOUNT IN BOX AT LEFT

INCLUDES \$172,331.95

IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

480-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

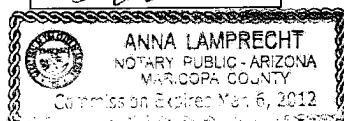
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

28th

DAY OF

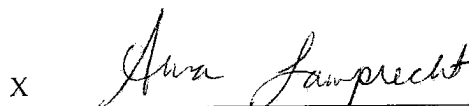
(SEAL)



MY COMMISSION EXPIRES

March 6, 2012

NOTARY PUBLIC NAME Anna Lamprecht	
COUNTY NAME Maricopa	
MONTH April	20 08

X 

SIGNATURE OF NOTARY PUBLIC